COMPUWARE CORPORATION
Form 10-Q
February 10, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2003

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to _________

COMMISSION FILE NUMBER 000-20900

COMPUWARE CORPORATION
(Exact name of registrant as specified in its charter)

MICHIGAN	38-2007430
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

ONE CAMPUS MARTIUS, DETROIT, MI 48226-5099
(Address of principal executive offices including zip code)

Registrant's telephone number including area code: (313) 227-7300

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act):
Yes [X] No [ ]

Indicate the number of shares outstanding of each of the issuer's class of common stock, as of the latest practicable date:

As of January 30, 2004, there were outstanding 384,397,953 shares of Common Stock, par value $.01, of the registrant.

2

PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

COMPUWARE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31, 2003 (UNAUDITED)	MARCH 31, 2003
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 367,199	$ 319,466
Investments	175,043	156,737
Accounts receivable, net	427,433	515,819

Deferred tax asset, net	33,450	30,605
Income taxes refundable, net	21,848	10,853
Prepaid expenses and other current assets	16,991	16,951
Total current assets	1,041,964	1,050,431
INVESTMENTS	117,386	95,095
PROPERTY AND EQUIPMENT, LESS ACCUMULATED DEPRECIATION AND AMORTIZATION	427,561	386,678
CAPITALIZED SOFTWARE, LESS ACCUMULATED AMORTIZATION	44,220	54,514
OTHER:		
Accounts receivable	244,228	260,735
Deferred tax asset, net	23,080	20,174
Goodwill, net	213,083	212,288
Other	25,718	42,770
Total other assets	506,109	535,967
TOTAL ASSETS	$ 2,137,240	$ 2,122,685
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 28,194	$ 37,588
Accrued expenses	162,470	134,579
Deferred revenue	263,589	296,998
Total current liabilities	454,253	469,165
DEFERRED REVENUE	291,542	299,079
ACCRUED EXPENSES	18,798	22,750
Total liabilities	764,593	790,994
SHAREHOLDERS' EQUITY:		
Common stock	3,842	3,824
Additional paid-in capital	715,071	704,190
Retained earnings	647,193	631,906
Foreign currency translation adjustment	6,541	(8,229)
Total shareholders' equity	1,372,647	1,331,691
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,137,240	$ 2,122,685

See notes to condensed consolidated financial statements.

COMPUWARE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	THREE MONTHS ENDED DECEMBER 31,		NINE MONTHS ENDED DECEMBER 31,	
	2003	2002	2003	2002
REVENUES:				
Software license fees	$ 80,678	$ 73,761	$ 195,361	$ 217,933
Maintenance fees	102,940	100,359	303,913	309,090
Professional services fees	134,567	159,019	427,676	510,709
Total revenues	318,185	333,139	926,950	1,037,732
OPERATING EXPENSES:				
Cost of software license fees	8,285	7,777	23,328	23,080
Cost of professional services	123,767	145,167	399,814	464,901
Technology development and support	41,640	37,312	124,398	107,906
Sales and marketing	82,117	63,534	227,167	194,551
Administrative and general	50,245	47,318	158,074	139,005
Total operating expenses	306,054	301,108	932,781	929,443
INCOME (LOSS) FROM OPERATIONS	12,131	32,031	(5,831)	108,289
OTHER INCOME	4,988	6,497	14,735	15,535
INCOME BEFORE INCOME TAXES	17,119	38,528	8,904	123,824
INCOME TAX (BENEFIT) PROVISION	(4,706)	13,099	(7,006)	42,100
NET INCOME	$ 21,825	$ 25,429	$ 15,910	$ 81,724
Basic earnings per share	$ 0.06	$ 0.07	$ 0.04	$ 0.22
Diluted earnings per share	$ 0.06	$ 0.07	$ 0.04	$ 0.22

See notes to condensed consolidated financial statements.

COMPUWARE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	NINE MONTHS ENDED DECEMBER 31,	
	2003	2002

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Net income	$ 15,910	$ 81,724
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and amortization	39,994	38,912
Tax benefit from exercise of stock options	175	275
Acquisition tax benefits	5,275	5,305
Deferred income taxes	(5,751)	14,125
Other	15,198	11,033
Net change in assets and liabilities:		
Accounts receivable	104,893	130,128
Prepaid expenses and other current assets	(40)	(669)
Other assets	1,468	1,284
Accounts payable and accrued expenses	8,072	(18,019)
Deferred revenue	(40,946)	(42,856)
Income taxes	(10,995)	32,658
Net cash provided by operating activities	133,253	253,900
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchase of:		
Property and equipment:		
Headquarters facility	(50,497)	(151,108)
Other	(5,500)	(3,948)
Capitalized software	(9,165)	(8,555)
Investments:		
Proceeds	275,344	107,600
Purchases	(302,353)	(179,235)
Net cash used in investing activities	(92,171)	(235,246)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:		
Net proceeds from exercise of stock options	1,179	860
Contribution to stock purchase plans	6,468	7,133
Repurchase of common stock	(996)	
Net cash provided by financing activities	6,651	7,993
NET INCREASE IN CASH AND CASH EQUIVALENTS	47,733	26,647
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	319,466	233,305
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 367,199	$ 259,952

See notes to condensed consolidated financial statements.

COMPUWARE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED DECEMBER 31, 2003

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements include the accounts of Compuware Corporation and its wholly owned subsidiaries (collectively, the "Company"). All intercompany balances and transactions have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, contingencies and results of operations. While management has based their assumptions and estimates on the facts and circumstances known at December 31, 2003, final amounts may differ from estimates.

In the opinion of management of the Company, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, that are necessary for a fair presentation of the results for the interim periods presented. These financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended March 31, 2003 included in the Company's Annual Report to Shareholders on Form 10-K filed with the Securities and Exchange Commission. The consolidated balance sheet at March 31, 2003 has been derived from the audited financial statements at that date but does not include all information and footnotes required by generally accepted accounting principles for complete financial statements. The results of operations for interim periods are not necessarily indicative of actual results achieved for full fiscal years.

6

COMPUWARE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED DECEMBER 31, 2003

NOTE 2 - COMPUTATION OF EARNINGS PER COMMON SHARE

Earnings per common share data were computed as follows (in thousands, except for per share data):

	Three Months Ended December 31,		Nine Mont Decemb
	2003	2002	2003
BASIC EARNINGS PER SHARE:			
Numerator: Net income	$ 21,825	$ 25,429	$ 15,910
Denominator:			
Weighted-average common shares outstanding	384,090	377,943	382,550
Basic earnings per share	$ 0.06	$ 0.07	$ 0.04
DILUTED EARNINGS PER SHARE:			

Numerator: Net income	$ 21,825	$ 25,429	$ 15,910
Denominator:			
Weighted-average common shares outstanding	384,090	377,943	382,550
Dilutive effect of stock options	1,852	1,195	1,753
Total shares	385,942	379,138	384,303
Diluted earnings per share	$ 0.06	$ 0.07	$ 0.04

During the three months ended December 31, 2003 and 2002, stock options and a warrant to purchase a total of approximately 53,668,000 and 63,385,000 shares, respectively, were excluded from the diluted earnings per share calculation because they were anti-dilutive. During the nine months ended December 31, 2003 and 2002, stock options and a warrant to purchase a total of approximately 53,708,000 and 63,023,000 shares, respectively, were excluded from the diluted earnings per share calculation because they were anti-dilutive.

Through December 31, 2003, in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation", the Company applied APB Opinion No. 25 and related Interpretations in accounting for its stock-based compensation plans. Stock options are granted at current market prices at the date of grant, therefore, no compensation cost has been recognized for its plans. If compensation cost for the Company's plans had been determined based on the fair value at the grant dates for the three months and nine months ended December 31, 2003 and 2002, consistent with the method prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation", net income (loss) and earnings (loss) per share would have been adjusted to the pro forma amounts indicated below (in thousands, except for per share data):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2003	2002	2003	200
Net income (loss):				
As reported	$ 21,825	$ 25,429	$ 15,910	$ 81,
Compensation cost, net of tax	(8,501)	(12,682)	(25,490)	(37,
Pro forma	$ 13,324	$ 12,747	$ (9,580)	$ 43,
Earnings (loss) per share:				
As reported:				
Basic earnings per share	$ 0.06	$ 0.07	$ 0.04	$ 0
Diluted earnings per share	0.06	0.07	0.04	0
Pro forma:				
Basic earnings (loss) per share	0.03	0.03	(0.03)	0
Diluted earnings (loss) per share	0.03	0.03	(0.03)	0

COMPUWARE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED DECEMBER 31, 2003

The pro forma amounts for compensation cost may not be indicative of the effects on net income (loss) and earnings (loss) per share for future years.

NOTE 3 - COMPREHENSIVE INCOME

Other comprehensive income includes foreign currency translation gains and losses that have been excluded from net income and reflected in equity. Total comprehensive income is summarized as follows (in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2003	2002	2003	2002
Net income	$ 21,825	$ 25,429	$ 15,910	$ 81,724
Foreign currency translation adjustment, net of tax	7,038	3,338	14,770	7,535
Total comprehensive income	$ 28,863	$ 28,767	$ 30,680	$ 89,259

NOTE 4 - SEGMENTS

Compuware operates in two business segments in the technology industry: products and professional services. The Company provides software products and professional services to IT organizations that help IT professionals efficiently develop, implement and support the applications that run their businesses.

Financial information for the Company's business segments is as follows (in thousands):

	Three Months Ended December 31,		Nine Months December	
	2003	2002	2003	
Revenues:				
Products:				
Mainframe	$ 135,943	$ 133,097	$ 376,195	$
Distributed systems	47,675	41,023	123,079	
Total product revenue	183,618	174,120	499,274	
Professional services	134,567	159,019	427,676	
Total revenues	$ 318,185	$ 333,139	$ 926,950	$

Operating expenses:			
Products	$ 132,042	$ 108,623	$ 374,893
Professional services	123,767	145,167	399,814
Corporate staff	50,245	47,318	158,074
Total operating expenses	$ 306,054	$ 301,108	$ 932,781
Income (loss) from operations before other income:			
Products	$ 51,576	$ 65,497	$ 124,381
Professional services	10,800	13,852	27,862
Corporate staff	(50,245)	(47,318)	(158,074)
Income (loss) from operations before other income	12,131	32,031	(5,831)
Other income	4,988	6,497	14,735
Income before income taxes	$ 17,119	$ 38,528	$ 8,904

Financial information regarding geographic operations is presented in the table below (in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2003	2002	2003	2002
Revenues:				
United States	$ 216,393	$ 241,715	$ 654,839	$ 770,219
Europe and Africa	78,990	70,647	212,735	208,563
Other international operations	22,802	20,777	59,376	58,950
Total revenues	$ 318,185	$ 333,139	$ 926,950	$1,037,732

COMPUWARE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED DECEMBER 31, 2003

NOTE 5 - RESTRUCTURING CHARGE

In the fourth quarter of fiscal 2002, the Company adopted a restructuring plan to reorganize its operating divisions, primarily the professional services segment. These changes were designed to increase profitability by better aligning cost structures with current market conditions.

The restructuring plan included a reduction of professional services staff at certain locations, the closing of entire professional services offices and a reduction of sales support personnel, lab technicians and related administrative and financial staff. Approximately 1,600 employees worldwide were terminated as a result of the reorganization. Payments continue to be made to certain terminated employees in accordance with their agreements.

The following table summarizes the restructuring accrual as of March 31, 2003, and charges against the accrual during the first nine months of fiscal 2004 (in thousands):

	Balance at March 31, 2003	Charges against the accrual during the six months ended September 30, 2003	Charges against the accrual during the quarter ended December 31, 2003
Employee termination benefits	$ 698	$ 419	$ 4
Facilities costs (primarily lease abandonments)	19,088	3,110	1,227
Legal, consulting and outplacement costs	15	5	
Total restructuring accrual	$ 19,801	$ 3,534	$ 1,231

COMPUWARE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED DECEMBER 31, 2003

NOTE 6 - INVESTMENTS IN PARTIALLY OWNED COMPANIES

The Company holds a 33.3% interest in CareTech Solutions, Inc. (CareTech). CareTech provides information technology outsourcing for healthcare organizations including data, voice, applications and data center operations. This investment is accounted for under the equity method including consideration of EITF 98-13, "Accounting by an Equity Method Investor for Investee Losses When the Investor Has Loans to and Investments in Other Securities of an Investee."

At December 31, 2003 and March 31, 2003, the Company's carrying value of its investments in and advances to CareTech was $20,838,000 and $16,191,000, respectively. Included in the net investment at December 31, 2003 and March 31, 2003, are a note receivable with an adjusted basis of $14,841,000 and $16,191,000, respectively, and accounts receivable due from CareTech of $5,997,000 at December 31, 2003. The note is payable in quarterly installments through January 2012 and bears interest at 5.25%. At December 31, 2003, CareTech was current with the terms of the note.

The Company has guaranteed lease obligations of CareTech up to $12,500,000. The Company has not recorded any liability related to these guarantees since it believes that CareTech will continue to meet its obligations. At December 31, 2003, CareTech's outstanding lease obligations were approximately $3,573,000.

CareTech's most significant customer is the Detroit Medical Center and Subsidiaries (DMC). The DMC has publicly announced that it is having financial difficulties. The Company considered the financial situation of the DMC at December 31, 2003 (and at March 31, 2003) and concluded that no impairment charge or valuation allowance related to our investment in and receivables due from CareTech was warranted at that time. The DMC has requested, and CareTech has agreed, to provide the DMC with extended payment terms up to 90 days. As a result, it is possible that CareTech will be unable to meet its cash flow needs. During the third quarter, the other shareholders of CareTech expressed an inability or unwillingness to provide additional funding to meet CareTech's cash flow requirements. Therefore, the Company began recording 100 percent of any losses incurred by CareTech as a reduction to the Company's outstanding advances to CareTech.

The Company holds a 49% interest in ForeSee Results, Inc. (ForeSee). ForeSee was incorporated in October 2001 to provide online customer satisfaction management. This investment is also accounted for under the equity method including EITF 98-13.

At December 31, 2003 and March 31, 2003, the Company's carrying value of its investments in and advances to ForeSee was $4,467,000 and $4,252,000, respectively. Included in the net investment at December 31, 2003 and March 31, 2003, are notes receivable from ForeSee with an adjusted basis of $4,253,000 and $3,500,000, respectively. The ForeSee notes bear interest at the prime rate (4.00% at December 31, 2003) and are due between June 2007 and December 2008. The Company has pledged $667,000 in additional loans to ForeSee, if needed, subject to approval by the ForeSee shareholders. During the second quarter of fiscal 2004, the Company's equity investment in ForeSee was reduced to zero. At that point, the Company began recording 100 percent of the losses sustained by ForeSee as a reduction to the Company's outstanding advances to ForeSee since the Company is uncertain whether the other shareholders are willing or able to sustain their share of the losses. The Company continues to monitor the financial situation of ForeSee on a regular basis and has concluded that no impairment reserve was warranted at December 31, 2003 (or at March 31, 2003).

INDEPENDENT ACCOUNTANTS' REPORT

Compuware Corporation

We have reviewed the accompanying condensed consolidated balance sheet of Compuware Corporation and subsidiaries (the "Company") as of December 31, 2003 and the related condensed consolidated statements of operations for the three-month and nine-month periods ended December 31, 2003 and 2002, and of cash flows for the nine-month periods ended December 31, 2003 and 2002. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Company and subsidiaries as of March 31, 2003, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated May 6, 2003 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of March 31, 2003 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP

Detroit, Michigan
February 9, 2004

COMPUWARE CORPORATION AND SUBSIDIARIES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and the notes thereto included elsewhere in this report and the Company's Annual Report on Form 10-K for the year ended March 31, 2003.

FORWARD-LOOKING STATEMENTS

This discussion contains certain forward-looking statements within the meaning of the federal securities laws which are identified by the use of the words "believes," "expects," "anticipates," "will," "contemplates," "would" and similar expressions that contemplate future events. Numerous important factors, risks and uncertainties affect our operating results, including, without limitation, those discussed below, contained elsewhere in this report and in our 2003 Form 10-K filed with the Securities and Exchange Commission, and could cause actual results to differ materially from the results implied by these or any other forward-looking statements made by us, or on our behalf. There can be no assurance that future results will meet expectations. While we believe that our forward-looking statements are reasonable, you should not place undue reliance on any such forward-looking statements, which speak only as of the date made. Except as required by applicable law, we do not undertake any obligation to publicly release any revisions which may be made to any forward-looking statements to reflect events or circumstances occurring after the date of this report.

- In 2002, we filed a lawsuit against IBM alleging, among other things, copyright infringement, misappropriation of trade secrets, intentional interference with contractual relations and economic expectancy, false advertising and various violations of the Lanham Act, as well as various anti-trust law violations. We claim that IBM has misappropriated portions of our software tools, used our technology to develop competing products, used its monopoly power to engage in unlawful tying arrangements and subverted competition on the merits. IBM has filed a counterclaim against us alleging violation of six of their patents and a separate complaint against us alleging violation of seven additional IBM patents. Pursuing and defending these matters will be costly, time-consuming and may divert management's time and attention. Due to these matters, our legal expenses have increased substantially and our administrative and general expenses could further increase as a result of these factors. In addition, IBM may seek to influence our customers and potential customers to reduce or eliminate the amount of our products and services that they purchase, or our lawsuits involving IBM may otherwise be viewed negatively by our customers and potential customers and cause them to refrain from buying our products and services. Any of the foregoing developments could adversely affect our position in the marketplace and our results of operations.

- While we are expanding our focus on distributed software products, a majority of our revenue from software products is dependent on our customers' continued use of IBM and IBM-compatible mainframe products and on the acceptance of our pricing structure for software licenses and maintenance. The pricing of our software licenses and maintenance is under constant pressure from customers and competitive vendors.

- In addition to the IBM claims discussed above, there can be no assurance that other third parties will not assert infringement claims against us in the future with respect to current and future products or that any such assertion may not require us to enter into royalty arrangements or result in costly litigation.

- Our operating margins may decline. We do not regularly compile margin analysis other than on a segment basis. However, we are aware that operating expenses associated with our distributed systems products are higher than those associated with our traditional mainframe products. Since we believe the best opportunities for revenue growth are in the distributed systems market, product operating margins could experience more pressure. In addition, operating margins in the professional services business are significantly impacted by small fluctuations in revenue since most costs are fixed during any short term period.

- Our results could be adversely affected by increased competition and pricing pressures. We consider over 40 firms to be directly competitive with one or more of our products. These competitors include but are not limited to BMC Software, Inc., Borland, Computer Associates International, Inc., IBM and Mercury Interactive Corporation. Some of these competitors have substantially greater financial, marketing, recruiting and training resources than we do.

- The market for professional services is highly competitive, fragmented and characterized by low barriers to entry. Our principal competitors in professional services include but are not limited to Accenture, Computer Sciences Corporation, Electronic Data Systems Corporation, IBM Global Services, Analysts International Corporation, Keane, Inc. and numerous other regional and local firms in the markets in which we have professional services offices. Several of these competitors have substantially greater financial, marketing, recruiting and training resources than we do.

- Our success depends in part on our ability to develop product enhancements and new products which keep pace with continuing changes in technology and customer preferences.

- Approximately 30% of our total revenue is derived from foreign sources. This exposes us to exchange rate risks on foreign currencies and to other international risks such as the need to comply with foreign and U.S. export laws, and the uncertainty of certain foreign economies.

- We regard our software as proprietary and attempt to protect it with copyrights, trademarks, trade secret laws and/or restrictions on disclosure, copying and transferring title. Despite these precautions, it may be possible for unauthorized third parties to copy certain portions of our products or to obtain and use information that we regard as proprietary. In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as the laws of the United States.

- We depend on key employees and technical personnel. The loss of certain key employees or our inability to attract and retain other qualified employees could have a material adverse effect on our business.

- Our quarterly financial results vary and may be adversely affected by certain relatively fixed costs. Our product revenues vary from quarter to quarter. Net income may be disproportionately affected by a fluctuation in revenues because only a small portion of our expenses varies with revenues.

- Historical seasonality in license revenue cannot be relied on as an indicator of future performance due to the current economic conditions affecting the IT industry.

- The slowdown in the world economy could continue for an extended period and could cause customers to further delay or forego decisions to license new products or upgrades to their existing environments or to reduce their requirements for professional services, and this could adversely affect our operating results.

- Acts of terrorism, acts of war and other unforeseen events may cause damage or disruption to our properties, employees, suppliers, distributors, resellers and customers which could adversely affect our business and operating results.

COMPUWARE CORPORATION AND SUBSIDIARIES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain operational data from the consolidated statements of operations as a percentage of total revenues and the percentage change in such items compared to the prior period:

	Percentage of Total Revenues Three Months Ended December 31, 2003	2002	Period-to-Period Change	Percentag Total Reve Nine Months December 2003
REVENUE:				
Software license fees	25.4%	22.2%	9.4%	21.1%
Maintenance fees	32.3	30.1	2.6	32.8
Professional services fees	42.3	47.7	(15.4)	46.1
Total revenues	100.0	100.0	(4.5)	100.0

OPERATING EXPENSES:				
Cost of software license fees	2.6	2.3	6.5	2.5
Cost of professional services	38.9	43.6	(14.7)	43.1
Technology development and support	13.1	11.2	11.6	13.4
Sales and marketing	25.8	19.1	29.2	24.5
Administrative and general	15.8	14.2	6.2	17.1
Total operating expenses	96.2	90.4	1.6	100.6
Income (loss) from operations	3.8	9.6	(62.1)	(0.6)
Other income	1.6	2.0	(23.2)	1.6
Income before income taxes	5.4	11.6	(55.6)	1.0
Income tax provision (benefit)	(1.5)	4.0	(135.9)	(0.7)
Net income	6.9%	7.6%	(14.2)%	1.7%

We operate in two business segments in the technology industry: products and professional services. We evaluate segment performance based primarily on segment contribution before corporate expenses. References to years are to fiscal years ended March 31.

In late October 2003, we implemented a cost reduction strategy that included salary reductions for executive management and most employees, additional employee contributions toward healthcare, elimination of Company sponsored holiday events and a review of other expenses. These cost reductions were enacted as a result of reductions in revenues and operating losses experienced during the first and second quarters of 2004. These measures are intended to save a total of $10 million to $15 million each quarter, starting in the third quarter of 2004. We will reevaluate these changes at the end of the fourth quarter. The effects on the third quarter and expected effects on the fourth quarter are discussed throughout this report.

SOFTWARE PRODUCTS

REVENUE

Our products are designed to support four key activities within the application development process: development and integration, quality assurance, production readiness and performance management of the application to optimize performance in production. Product revenue, which consists of software license fees and maintenance fees, comprised 57.7% and 52.3% of total revenue during the third quarter of 2004 and 2003, respectively, and 53.9% and 50.8% of total revenue during the first nine months of 2004 and 2003. OS/390 product revenue (mainframe revenue) increased $2.8 million or 2.1% during the third quarter of 2004 to $135.9 million from $133.1 million during the third quarter of 2003 and decreased $39.0 million or 9.4% during the first nine months of 2004 to $376.2 million from $415.2 million during the first nine months of 2003. Revenue from distributed software products increased by $6.7 million, or 16.2% during the third quarter of 2004 to $47.7 million from $41.0 million during the third quarter of 2003, and increased $11.3 million, or 10.1% during the first nine months of 2004 to $123.1 million from $111.8 million during the first nine months of 2003.

License revenue increased $6.9 million or 9.4% during the third quarter of 2004 to $80.7 million from $73.8 million during the third quarter of 2003 and decreased $22.5 million or 10.4% during the first nine months of 2004 to $195.4 million from $217.9 million during the first nine months of 2003. License revenue was positively impacted by fluctuations in foreign currencies compared to the third quarter and to the first nine months of 2003. Excluding the favorable effect of such foreign currency fluctuations, license revenue would have been approximately $75.0 million during the third quarter of 2004, compared to $73.8 million during the third quarter of 2003, an increase of 1.7%. During the first nine months of 2004 license revenue would have been approximately $183.8 million, compared to $217.9 million during the first nine months of 2003, a decrease of 15.7% excluding the effect of foreign currency fluctuations. The increase in license revenue for the quarterly period is primarily attributable to sales growth in our distributed products resulting from the increased sales and marketing focus within this segment of our business. The year to date decrease is attributable to the overall economic weakness in the technology market and continued downward pricing pressure. We have significantly less revenue from licenses for additional capacity compared to prior years.

Maintenance fees increased $2.5 million or 2.6% to $102.9 million during the third quarter of 2004 from $100.4 million during the third quarter of 2003 and decreased $5.2 million or 1.7% during the first nine months of 2004 to $303.9 million from $309.1 million during the first nine months of 2003. Maintenance fees were positively impacted by fluctuations in foreign currencies compared to the third quarter and to the first nine months of 2003. Excluding the effect of foreign currency fluctuations, maintenance fees would have been approximately $97.2 million during the third quarter of 2004, compared to $100.4 million during the third quarter of 2003, a decrease of 3.2%. During the first nine months of 2004 maintenance fees would have been approximately $289.5 million, compared to $309.1 million during the first nine months of 2003, a decrease of 6.3% excluding the effect of foreign currency fluctuations. The decreases in maintenance fees on a comparable dollar basis were primarily attributable to lower license fees during both 2004 and 2003, resulting in minimal increases to the maintenance base, and to market pressure on pricing.

We license software to customers using two types of software licenses, perpetual and term. Generally, perpetual software licenses allow customers a perpetual right to run our mainframe software on hardware up to a licensed aggregate MIPS (Millions of Instructions Per Second)

capacity or to run our distributed software for a specified number of users or servers. Term licenses allow customers a right to run our software for a limited period of time on hardware as licensed. Also, our customers purchase maintenance services that provide technical support and advice, including problem resolution services and assistance in product installation, error corrections and any product enhancements released during the maintenance period. Furthermore, based on business needs, customers are allowed to license additional software and purchase multiple years of maintenance in a single transaction (multi-year transactions). In support of these multi-year transactions, we allow extended payment terms to qualifying customers.

To recognize revenue for these multi-year transactions the contract price is allocated between maintenance revenue and license revenue. All license revenue associated with perpetual license agreements is recognized when the customer commits unconditionally to the transaction, the software products and quantities are fixed and the software has been shipped to the customer and collection is reasonably probable. License revenue associated with term transactions or with transactions that include an option to exchange or select products in the future is deferred and recognized over the term of the agreement. When the license portion is paid over a number of years, the license portion of the payment stream is discounted to its net present value. Interest income is recognized over the payment term. The maintenance revenue associated with all sales is deferred and is recognized over the applicable maintenance period.

Product revenue by geographic location is presented in the table below (in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2003	2002	2003	2002
United States	$ 97,003	$ 99,603	$ 271,398	$ 310,515
Europe and Africa	64,961	54,595	171,078	159,661
Other international operations	21,654	19,922	56,798	56,847
Total product revenue	$ 183,618	$ 174,120	$ 499,274	$ 527,023

PRODUCT CONTRIBUTION AND EXPENSES

Financial information for the product segment is as follows (in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2003	2002	2003	2002
Revenue	$ 183,618	$ 174,120	$ 499,274	$ 527,023
Expenses	132,042	108,623	374,893	325,537
Product contribution	$ 51,576	$ 65,497	$ 124,381	$ 201,486

The product segment generated contribution margins of 28.1% and 37.6% during the third quarter of 2004 and 2003, respectively, and 24.9% and 38.2% during the first nine months of 2004 and 2003, respectively. Product expenses include cost of software license fees, technology development and support costs, and sales and marketing expenses. These factors are discussed below.

COMPUWARE CORPORATION AND SUBSIDIARIES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Cost of software license fees includes amortization of capitalized software, the cost of duplicating and disseminating products to customers and the cost of author royalties. As a percentage of software license fees, cost of software license fees were 10.3% and 10.5% in the third quarter of 2004 and 2003, respectively, and 11.9% and 10.6% in the first nine months of 2004 and 2003, respectively.

Technology development and support includes, primarily, the costs of programming personnel associated with product development and support less the amount of software development costs capitalized during the period. Also included here are personnel costs associated with developing and maintaining internal systems and hardware/software costs required to support technology initiatives. As a percentage of product revenue, costs of technology development and support were 22.7% and 21.4% in the third quarter of 2004 and 2003, respectively, and 24.9% and 20.5% during the first nine months of 2004 and 2003, respectively.

Capitalization of internally developed software products begins when technological feasibility of the product is established. Before the capitalization of internally developed software products, total research and development expenditures for the third quarter of 2004 increased $5.1 million, or 12.7%, to $45.4 million from $40.3 million in the third quarter of 2003, and for the first nine months of 2004 increased $17.1 million, or 14.7%, to $133.6 million from $116.5 million in the first nine months of 2003. The increases in these costs for 2004 were primarily attributable to an increase in compensation and benefits associated with higher employee headcount in this area which increased by 59 people to 1,517 people as of December 31, 2003 from 1,458 people as of December 31, 2002. In late October 2003, we implemented cost reduction strategies that resulted in a reduction of technology development and support costs totaling $850,000 during the third quarter that offset a portion of the increase. We expect these cost reductions to save approximately $1.2 million during the fourth quarter.

Sales and marketing costs consist primarily of personnel related costs associated with product direct sales and sales support, marketing for all our offerings, and personnel costs associated with new sales initiatives. For the third quarter of 2004, sales and marketing costs increased $18.6 million, or 29.2%, to $82.1 million from $63.5 million in the third quarter of 2003 and for the first nine months of 2004 increased $32.6 million, or 16.8% to $227.2 million from $194.6 million in the first nine months of 2003. The increases in these costs for 2004 were primarily attributable to higher marketing costs related to the promotion of products in the distributed software marketplace and increased salaries and bonuses associated with the increase in our direct sales force. Employee headcount in this area increased by 137 people to 1,875 people as of December 31, 2003 from 1,738 people as of December 31, 2002. As a percentage of product revenue, sales and marketing costs were 44.7% and 36.5% in the third quarter of 2004 and 2003, respectively, and 45.5% and 36.9% in the first nine months of 2004 and 2003, respectively. In late October 2003, we implemented cost reduction strategies that resulted in a reduction of sales and marketing costs totaling $800,000 during the third quarter that offset a portion of the increase. We expect these cost reductions to save approximately $1.6 million during the fourth quarter.

COMPUWARE CORPORATION AND SUBSIDIARIES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

PROFESSIONAL SERVICES

REVENUE

We offer a broad range of information technology professional services, including business systems analysis, design and programming, software conversion and system planning and consulting. Revenue from professional services decreased $24.4 million or 15.4% during the third quarter of 2004 to $134.6 million compared to $159.0 million in the third quarter of 2003, and decreased $83.0 million or 16.3% during the first nine months of 2004 to $427.7 million from $510.7 million during the first nine months of 2003. The decrease in revenue for 2004 was due, primarily, to a reduction in demand for professional services as customers postpone large projects, and to the highly competitive nature of the professional services market and the resulting downward pressure on our billing rates. Included in professional services revenue was approximately $5.2 million and $16.3 million for the third quarter and first nine months of 2004, respectively, related to services provided as subcontractors to CareTech, an affiliated entity.

Professional services revenue by geographic location is presented in the table below (in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2003	2002	2003	2002
United States	$ 119,390	$ 142,112	$ 383,441	$ 459,704
Europe and Africa	14,029	16,052	41,657	48,902
Other international operations	1,148	855	2,578	2,103
Total professional services revenue	$ 134,567	$ 159,019	$ 427,676	$ 510,709

PROFESSIONAL SERVICES CONTRIBUTION AND EXPENSES

Financial information for the professional services segment is as follows (in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2003	2002	2003	2002
Revenue	$ 134,567	$ 159,019	$ 427,676	$ 510,709
Expenses	123,767	145,167	399,814	464,901

Professional services contribution	$ 10,800	$ 13,852	$ 27,862	$ 45,808

During the third quarter of 2004, the professional services segment generated a contribution margin of 8.0%, compared to 8.7% during the third quarter of 2003. The professional services contribution margin was 6.5% and 9.0% for the first nine months of 2004 and 2003, respectively. The decrease in professional services margin is primarily due to reduced customer demand for our services associated with the decline of the economy as a whole and the IT sector specifically.

Cost of professional services consists primarily of personnel-related costs of providing services, including billable staff, subcontractors and sales personnel. The decrease in these costs from the third quarter of 2003 to the third quarter of 2004 is due, primarily, to reductions in staff, resulting in lower salaries and benefits, and decreased use of subcontractors for special services. The professional billable staff decreased 586 people to 4,707 people as of December 31, 2003 from 5,293 people at December 31, 2002. In late October 2003, we implemented cost

reduction strategies that resulted in a reduction of professional services costs totaling $6.7 million during the third quarter. We expect these cost reductions to save approximately $11.2 million during the fourth quarter.

CORPORATE AND OTHER EXPENSES

Administrative and general expenses consist of costs associated with the operations and administration of the Company. These costs include the corporate executive, finance, human resources, legal and corporate communications departments. In addition, administrative and general costs include all facility-related costs, such as rent, building depreciation, maintenance, utilities, etc., associated with our local sales and professional services offices. Administrative and general expenses increased $2.9 million, or 6.2% during the third quarter of 2004 to $50.2 million from $47.3 million during the third quarter of 2003, and increased $19.1 million or 13.7% during the first nine months of 2004 to $158.1 million from $139.0 million in the first nine months of 2003. External legal fees for all litigation, including IBM and other matters, were $10.9 million and $9.3 million in the third quarter of 2004 and 2003, respectively, and $35.0 million and $16.3 million in the first nine months of 2004 and 2003, respectively. In late October 2003, we implemented cost reduction strategies that resulted in a reduction to administrative and general costs totaling $1.3 million during the third quarter. We expect these cost reductions to save approximately $2.2 million during the fourth quarter.

Income taxes are accounted for using the asset and liability approach. Deferred income taxes are provided for the differences between the tax bases of assets or liabilities and their reported amounts in the financial statements. During the quarter ended December 31 2003, we recorded an income tax benefit of $9.5 million relating primarily to favorable tax settlements with the U.S. Internal Revenue Service and recent developments in other tax matters both in the US and other taxing jurisdictions. Excluding this tax benefit, the effective tax rate for the quarter and for the nine months ended December 31, 2003 was 28% compared to 34% for the same periods a year ago. The decrease in the effective tax rate is primarily due to the higher percentage impact of certain tax benefit items as a result of the decline in income. The income tax benefit was $4.7 million in the third quarter of 2004 and $7.0 million for the first nine months of 2004, including the $9.5 million income tax benefit in the third quarter. This compares to an income tax provision of $13.1 million in the third quarter of 2003 and $42.1 million for the first nine months of 2003.

MANAGEMENT'S DISCUSSION OF CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Assumptions and estimates were based on the facts and circumstances known at December 31, 2003. However, future events rarely develop exactly as forecast, and the best estimates routinely require adjustment. The accounting policies discussed in Item 7 of our Annual Report on Form 10-K are considered by management to be the most important to an understanding of the financial statements, because their application places the most significant demands on management's judgment and estimates about the effect of matters that are inherently uncertain. These policies are also discussed in Note 1 of the Notes to Consolidated Financial Statements included in Item 8 of that report. There have been no material changes to that information during the first nine months of 2004.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2003, cash and investments totaled approximately $659.6 million. During the first nine months of 2004 and 2003, cash flow from operations was $133.3 million and $253.9 million, respectively. The decrease was primarily due to lower collections on customer receivables due to the general decline in revenue over the last two years. During these periods, capital expenditures including property and equipment and capitalized research and software development totaled $65.2 million and $163.6 million, respectively.

On May 2, 2003, we entered into a $100 million revolving credit facility maturing in 364 days. If at any time the combined unencumbered liquid assets of the Company (as defined in the credit facility) are less than $200 million, the credit facility will be reduced to $50 million. Interest is payable at 1% over the Eurodollar rate or at the prime rate, at the Company's option. No borrowings have occurred or are planned under this facility. The terms of the credit facility contain, among other provisions, a covenant to maintain a minimum $1 billion consolidated net worth, and specific limitations on additional indebtedness, liens and merger activity.

Although there were no acquisitions during the third quarter of 2004, management continues to evaluate business acquisition opportunities that fit our strategic plans. On February 5, 2004, we entered into an asset purchase agreement with Covisint LLC (Covisint). Under the agreement, we will acquire most assets and certain liabilities related to their Portal, Messaging/Supplier Connect and Problem Solver businesses (acquired business). The transfer of the acquired business is expected to be effective March 1, 2004, pending finalization of all terms and conditions. We expect to fund this purchase using cash on hand and do not expect it to have a material effect on cash balances.

During fiscal 2004, we relocated to our new corporate headquarters building. Final construction is continuing with total estimated costs of $350 million for the building and $50 million for furniture and fixtures. Annual depreciation expense is approximately $16 million. This is partially offset by the savings realized by the consolidation of our metro Detroit offices. The remaining cash outlays of approximately $20 million are expected to occur in the fourth quarter of fiscal 2004 and are intended to be funded using cash on hand and cash flow from operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

As discussed in Note 6 to the condensed consolidated financial statements, we regularly review the financial condition of our partially owned companies, inclusive of considering the companies' relationships with their major customers, to determine that the recorded amounts are appropriate and the investments (inclusive of the debt obligations) are not impaired. CareTech's most significant customer is the Detroit Medical Center and Subsidiaries (DMC). The DMC has publicly announced it is having financial difficulties. After consideration of all relevant factors, we concluded that no impairment charge or valuation allowance related to our investment in and receivables due from CareTech should be recorded at December 31, 2003. The DMC has requested, and CareTech has agreed, to provide the DMC with extended payment terms up to 90 days. As a result, it is possible that CareTech will be unable to meet its cash flow needs. During the third quarter, the other shareholders of CareTech expressed an inability or unwillingness to provide additional funding to meet CareTech's cash flow requirements. Therefore, we began recording 100 percent of any losses incurred by CareTech as a reduction to our outstanding advances to CareTech. We may advance additional funds to CareTech to meet their working capital needs, but we do not expect these advances to be significant.

We believe available cash resources together with cash flow from operations, will be sufficient to meet cash needs for the foreseeable future.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed primarily to market risks associated with movements in interest rates and foreign currency exchange rates. There have been no material changes to our foreign exchange risk management strategy or our investment standards subsequent to March 31, 2003, therefore the market risks remain substantially unchanged since we filed the Annual Report on Form 10-K for the fiscal year ending March 31, 2003.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to cause the material information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934 to be recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. There was no change in our internal controls over financial reporting during the quarter ended December 31, 2003 that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

COMPUWARE CORPORATION AND SUBSIDIARIES

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

As disclosed in our Annual Report on Form 10-K for the fiscal year ending March 31, 2003, on March 12, 2002, we filed suit in the United States District Court for the Eastern District of Michigan against International Business Machines Corporation ("IBM") alleging certain intellectual property claims. The suit seeks injunctive relief and unspecified monetary damages, among other things, from IBM. Please refer to our Annual Report on Form 10-K for the fiscal year ending March 31, 2003 for a complete description of these proceedings.

In December 2003, the court denied our Motion for Preliminary Injunction on the trade secret and false advertising claims, ruling that there were fact issues that needed to be decided by a jury. The Motion did not address IBM's antitrust violations or unfair competition. Those claims, as well as the trade secret misappropriation claims are scheduled to be tried by a jury in September 2004. While we currently believe we ultimately will benefit from this litigation, the impact of this action on our business relationship with IBM and our liquidity, financial position and results of operations are not determinable at the present time.

On January 15, 2004, IBM filed patent infringement claims against us in the United States District Court for the Southern District of New York alleging infringement of seven IBM patents. The Compuware products accused of infringement are Strobe, QA Center, DevPartner and Uniface. The suit seeks injunctive relief and unspecified monetary damages. We believe we have valid defenses to the claims, and intend to vigorously defend against the lawsuit. The impact of this action on our business relationship with IBM and our liquidity, financial position and results of operations are not determinable at the present time.

COMPUWARE CORPORATION AND SUBSIDIARIES

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits.

Exhibit Number	Description of Document
15	Independent Accountants' Awareness Letter
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.
32	Certification pursuant to 18 U.S.C. Section 1350 and Rule 13a-14(b) of the Securities Exchange Act.

(b) Reports on Form 8-K.

A Current Report on Form 8-K pursuant to Items 9 and 12 was filed on October 23, 2003 reporting that on October 21, 2003, the Company issued a press release announcing financial results for the fiscal quarter ended September 30, 2003 and certain other information. The information was considered furnished, rather than filed. No financial statements were filed with this report.

A Current Report on Form 8-K pursuant to Items 9 and 12 was filed on October 10, 2003 reporting that on October 10, 2003, the Company issued a press release announcing preliminary financial results for the fiscal quarter ended September 30, 2003 and certain other information. The information was considered furnished, rather than filed. No financial statements were filed with this report.

25

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMPUWARE CORPORATION

Date: February 9, 2004

By: /s/ Peter Karmanos, Jr.

Peter Karmanos, Jr.
Chief Executive Officer
(duly authorized officer)

Date: February 9, 2004

By: /s/ Laura L. Fournier

Laura L. Fournier
Senior Vice President
Chief Financial Officer

Treasurer

EXHIBIT INDEX

Exhibit Number	Description of Document
15	Independent Accountants' Awareness Letter
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.
32	Certification pursuant to 18 U.S.C. Section 1350 and Rule 13a-14(b) of the Securities Exchange Act.